



**Michigan Association of  
Retired School Personnel**  
Protecting your future

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**Retiree Health Care Reforms Committee  
Michigan House of Representatives**

**November 1, 2007**

Donald E. Miller, MARSP Past President  
Bonnie J. Carpenter, MARSP Executive Director  
Norvel A. (Budd) Hansen, Legislative Committee Member and former  
MPSERS Executive Director

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**MARSP Represents**

- **All** retirees receiving pension from Michigan Public School Employees' Retirement System (MPSERS)
- **All** community college retirees who are members of MPSERS

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**MPSERS Represents**

- Some 4-year university employees
- Community college employees
- All K-12 employees
  - Full time and Part-time
  - Certified
  - Non-certified
    - Secretaries, cooks, custodians, bus drivers, others
- NOT JUST TEACHERS

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### **MPSERS Presented**

- August 16, 2007
- Accurate and detailed description
- Watch plan costs
- Make changes annually
- Schools' cost for retirees' health care at **6.55% for 3 years in a row**

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### **Pension payment**

- MPSERS monthly pension check makes one eligible for health insurance benefit
- History of the Michigan Public School Employees' Retirement System (**blue**)
- Michigan Public School Employees' Retirement System (PSERS) Members and Benefit Recipients by County as of June 2007

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### **Average pension benefit**

- Highest average of just over **\$20,000**
  - Metropolitan Detroit & Southeast Michigan
- Lowest average **\$12,279**
  - Oscoda County
- Economic impact of educational dollar

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### Points for consideration regarding retiree health care reform

- MARSP position (**letterhead**)
- Graded premium – support
  - New hires after July 1, 2008
  - Concern for support staff who cannot meet the 1,020 hour requirement
- Master Health Care Plan (**letterhead**)
  - History since 1975
  - Aggressive record of cost control

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### Master Health Care Plan today

- Part D
- Medicare Advantage
- Retiree pays monthly premium = **9.4%** of lowest average annual pension
- 10% co-pay on all services
- \$250 annual deductible

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### MHCP today, continued

- 3 preventative services
  - Mammograms
  - Pap test
  - PSA screening
- Annual physical should be mandated and paid for by plan
  - Improve members' health
  - Costs would be lowered

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### Prescription co-payments

- 20% for formulary drugs with minimums and maximums
  - Retail, 30-day, \$7 and \$32
  - Mail order – 90-day, \$17.50 and \$80
- Additional cost on 4<sup>th</sup> fill and after at retail
- 40% for out-of-pocket for non-formulary
- \$800 annual maximum co-pay on formulary drugs

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### Impact on pension

- Deductible and co-pays adds **another 8.3%** out-of-pocket expenses
- 9.4% for premium, 8.3% out-of-pocket = **17.7%**
- \$12,279 pension, leaves **\$10,040** for living expenses

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### Mail order facility

- MPSERS members must use out-of-state mail order pharmacy
- **Hundreds of thousands of dollars leaving Michigan every year**
- Legislature should act to allow mail order drug dispensing facility in Michigan

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### HMO option

- Master Health Care Plan also offers HMO option since 1997
  - HAP in Southeast Michigan
  - Priority Health most of rest of Lower Peninsula
  - NO HMOs in Upper Peninsula
- We don't have details of plans
- MARSP members are satisfied

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### MPSERS premium subsidy

- Green handout
- Great concern for abuse of system
  - Retirees returning to same position from which they just retired
  - Employers should contribute to MPSERS the amount of the state's premium subsidy while using retirees
    - 2007 rates = \$6,666.84 per year

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### Pre-funded health care trust

- **Pre-funding of health benefits should be reinstated (advance funding)**
  - Added under Gov. Blanchard
  - Eliminated under Gov. Engler
  - Should be constitutionally-protected
  - Active members contribute
    - Refundable if not qualify
  - Employers contribute same amount
  - Protected from state government use and its investment earnings have same protection

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### Other items

- Supportive of increase in Member Investment Plan (MIP) contribution
  - Over \$15,000 salary
  - New hires after July 1, 2008
  - Maybe not quite to the level increased

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### Thank you

- **Thank you** for this opportunity to present information on behalf of the Michigan Association of Retired School Personnel
- **We are ready and willing** to answer your questions, provide additional information and assist the committee

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